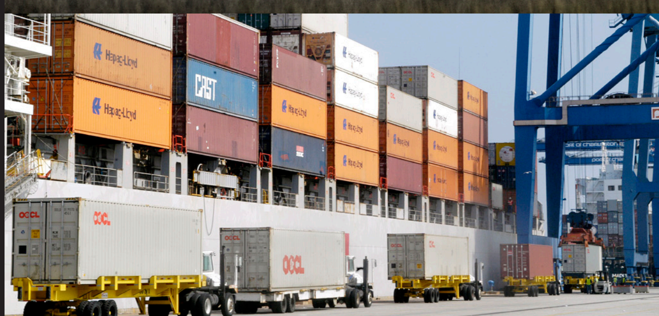


Charleston Is Back

An Executive Prospectus

September 2010

CHARLESTON'S RENEWED COMPETITIVENESS AND DEEPER WATER ARE PROFITABLE OPPORTUNITIES FOR BCO CLIENTS.

Business Highlights

New Operating Model:

- Beginning Q1 2011 all container carriers will operate in "common-use" profile at the Port of Charleston.
- Will end the traditional "licensed-use" operations.
- All gates at all terminals will operate on the same schedule without interruption. There will be extended gate hours and no closure for the traditional lunch-hour time period.
- Will create a level playing field for all carrier clients while maintaining Charleston's long-standing position as the most productive port in North America.

New Terminal Operating System:

- Proprietary systems ORION and YMS will be replaced soon.
- Proposals for a new system have been received and currently there are two finalists.
- Site visits and demonstrations have been completed.
- Recommendation due at the September meeting of the SCSPA Board of Directors.
- Implementation to begin February 2011 and be complete within 12 months.
- Goals are to improve gate process and expand functionality for all vessel services, customer web interface, event notification, reporting capability, improved non-container cargo management, and consolidated billing management.

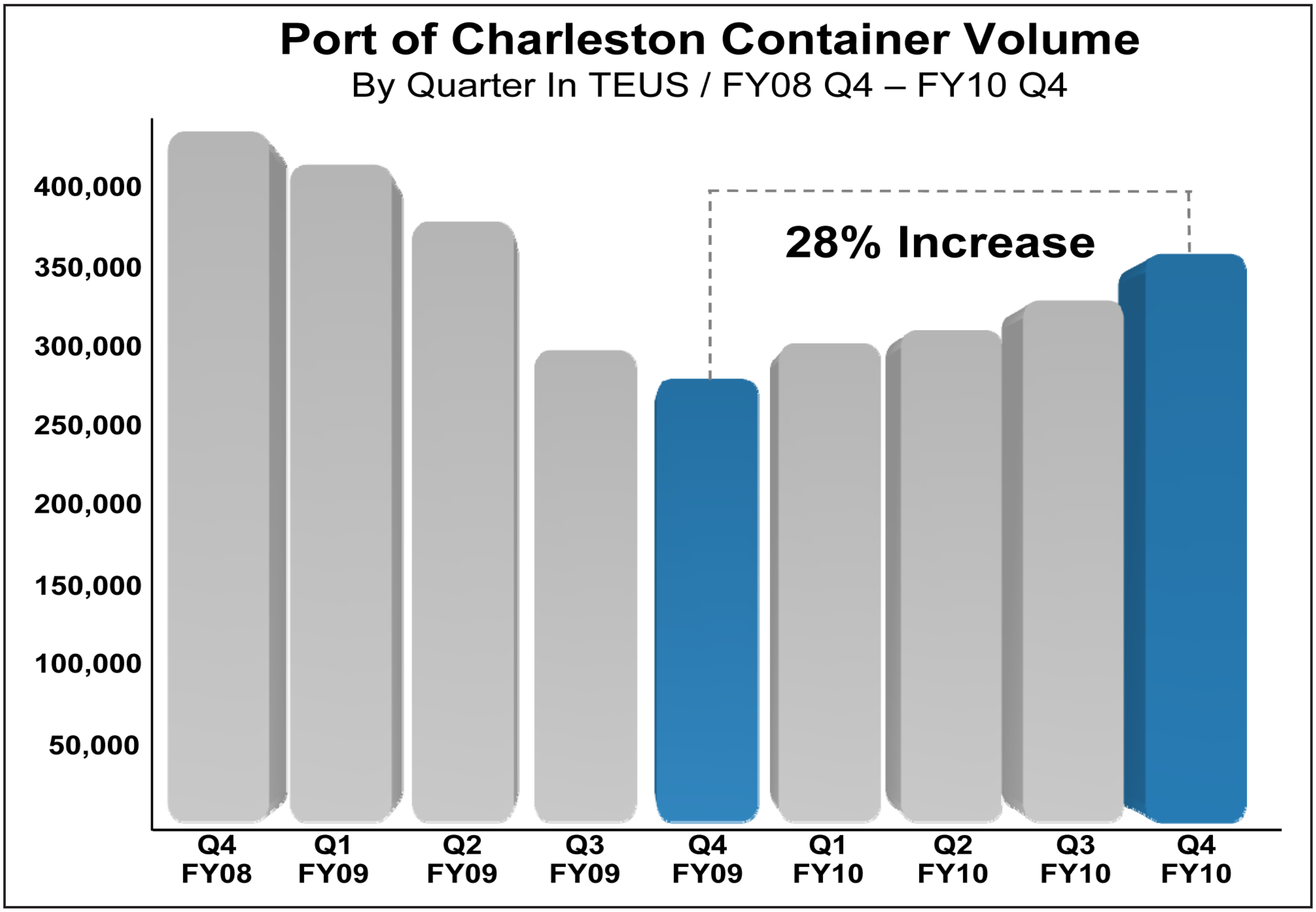
Bold moves and a strategic vision are already yielding results in Charleston.

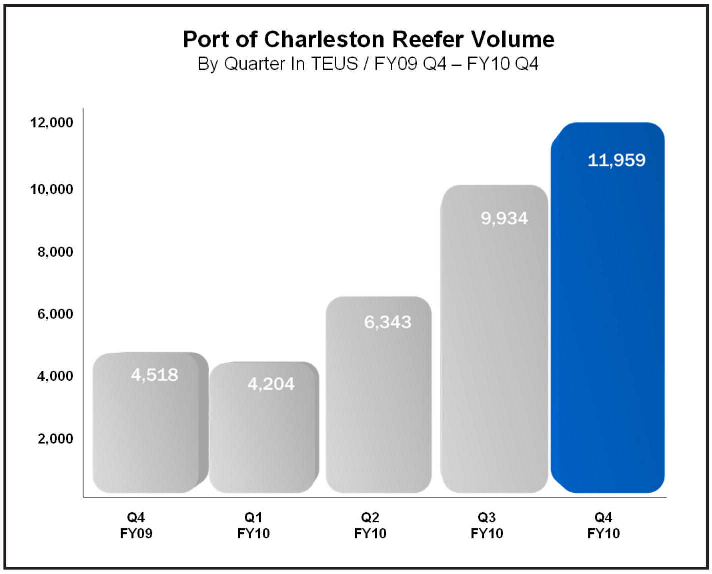
Terminal Development Progress:

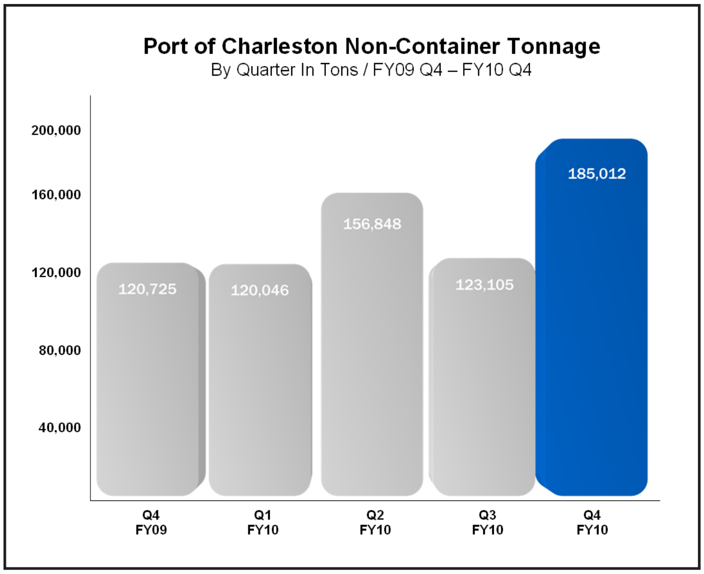
- The Port of Charleston's Navy Base Terminal is the only permitted marine terminal construction project on the U.S. East Coast.
- Legal challenges cooperatively settled recently clearing the way for construction to continue.
- Demolition, site preparation, and construction are underway. Currently a retaining wall is being built to reclaim 60 acres of land
- Schedule for completion of Phase 1 is in 2017, or as needed.
- Construction plan is to complete the "critical path" phases by 2015, leaving final construction and completion dependent on demand.

Return of Volume:

- Volume growth has returned to the Port of Charleston.
- Q4/FY10 container numbers were up 28% over Q4/FY09.
- Refrigerated containers are up nearly 300% due exclusively to the increase in over-the-road weight limits in South Carolina from 90,000 lbs. GVW to 100,000 GVW.
- Non-container cargo for Q4/FY10 was up 53% vs. Q4/FY09.
- MSC launched the Golden Gate Service in Charleston using 12 ships averaging 7,600 TEU in size. The Asia/Suez/USEC service now successfully deploys 8,400 TEU vessels that are easily worked in Charleston, even fully laden.
- CSAV launched its AMEX service linking Charleston to North China via Panama.
- Several new breakbulk liner services have been initiated.
- Forecasted volume for FY2011 is 1,340,000 TEU, up 4.9% from the FY2010 actual volume of 1,277,000.







All volume trends are up in Charleston.

ADOPTING A CULTURE THAT EMPHASIZES RELATIONSHIPS, NOT SIMPLY TRANSACTIONS.

Cultural Change

The Port of Charleston has undergone a transformation in the last 12 months. A cultural change has occurred that emphasizes lasting, flexible relationships with clients vs. the previous more rigid, transactional approach. This change has restored the Port of Charleston's competitiveness and has set a course for recovery of the premier position Charleston has traditionally enjoyed.

Evidence can be found in substantial actions recently taken:

- Jim Newsome, formerly president, Hapag-Lloyd America, joined the Port of Charleston in September of 2009.
- Contracts have been restructured to terms that are more competitive. Importantly, the Port of Charleston's contracts now provide incentives for achieving target volumes rather than penalties for not achieving them.
- Operationally, the port implemented more competitive demurrage charges, extended export receiving windows, and flexed gate hours, all to better account for changing market demand and client needs.
- The port implemented aggressive cost-cutting measures including a 12% reduction in workforce.
- A new sales structure and strategy has been implemented. Paul McClintock was hired as senior vice president & chief commercial officer and he now leads a team comprised of carrier sales, cargo sales, cruise sales, marketing and public relations.
- Sarah Gaillard joined the team as vice president, carrier sales.
- Art Pruett joined the team as general manager, cargo sales.
- Byron Miller was promoted to lead all external communications efforts, unifying the port's marketing and public relations teams.
- Sales territories have been reassigned. Target accounts have been identified and engaged for both short-term and long-term relationships. Relationships with economic development allies have been strengthened.
- The new strategy delivers greater latitude for sales staff to identify and pursue solutions for clients on a case-by-case basis. It demonstrates a new willingness to engage clients in more mutually-beneficial relationships.

The result of all this change is a client-focused, solutions-oriented culture at the Port of Charleston.

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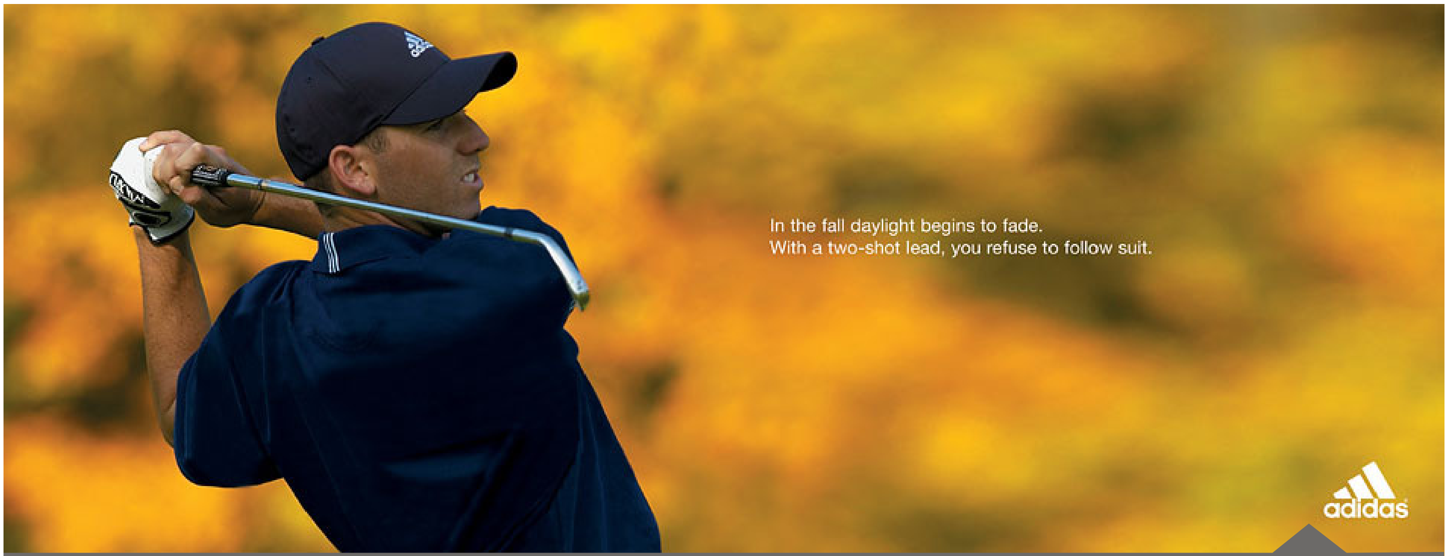


ADIDAS BRANDS RECENTLY OPENED A 2,000,000 SF DC IN SOUTH CAROLINA THAT WILL MOVE 14,000 CONTAINERS PER YEAR.

Growing Cargo Base

The Port of Charleston has a strong and diversified freight base. However, enhancement of the core client base in Charleston's immediate hinterland is a strategic priority.

Pursuit of this goal is being led jointly by the S.C. State Ports Authority and the S.C. Department of Commerce. Each agency's senior-most leaders are actively engaged in the effort to grow the base of port-dependent business, and success is already evident.

Thirteen recent projects have delivered $2.3 billion of economic investment and more than 9 million square-feet of industrial buildings in South Carolina.

Examples of recent successes:

- **Boeing:** Will invest $758 million in a new manufacturing plant for its 787 Dreamliner Jets in Charleston.
- **TBC Corp. (Tire Kingdom):** Will open a new 1.1-million square-foot distribution center in the Charleston area early in 2011. This facility will handle import tires, primarily from Shanghai. Estimated volume is 30,000 containers annually.
- **adidas:** Footwear and apparel giant recently opened a 2 million square-foot retail distribution center in Spartanburg, S.C. which is most favorably served via the Port of Charleston. This facility handles approximately 14,000 containers annually.
- **Michelin:** Invested an additional $350 million in their manufacturing presence in South Carolina. Michelin imports rubber and exports tires to global markets from multiple facilities in the Port of Charleston area. These facilities generate approximately 26,000 containers annually.
- **BMW:** German auto manufacturer recently announced a $750-million expansion of its Greer, S.C. manufacturing plant which makes SUVs for global distribution. The expansion also brings substantial new investment from component part suppliers. Production lines for the new X3 vehicle began earlier this month. Direct container shipments are expected to be approximately 14,000 annually. Many more will be consigned to suppliers in the area such as Robert Bosch, ZF Lemforder, Benteler, Arvin Meritor and others.
- **Gildan:** Recently began operations at its new 700,000 square-foot apparel distribution center in the Charleston area. Estimated initial volume is 6,000 containers annually.
- **Belk Stores:** Recently made a major commitment to the Port of Charleston market through their 3PL (Performance Team) and a large cross-dock operation.
- **Moulton Logistics:** Recently opened a new 200,000 square-foot distribution center in the Charleston area to handle consumer goods sold on television.
- **Starbucks:** American coffee icon recently opened a 300,000 square-foot distribution center and a new roasting plant near the Port of Charleston.
- **Fujifilm:** Has opened a new 500,000 square-foot distribution facility in Greenwood, S.C.
- **QVC:** Recently opened its 1 million-square-foot distribution center in Florence, S.C.
- **Johnson Controls:** Recently completed a $100-million expansion of its Florence, S.C. operation.
- **Home Depot:** Recently began operations at a 425,000-square-foot, $25 million distribution center near Columbia, S.C. This facility is near the intersection of 3 major Interstate highways and approximately 100 miles from Charleston.

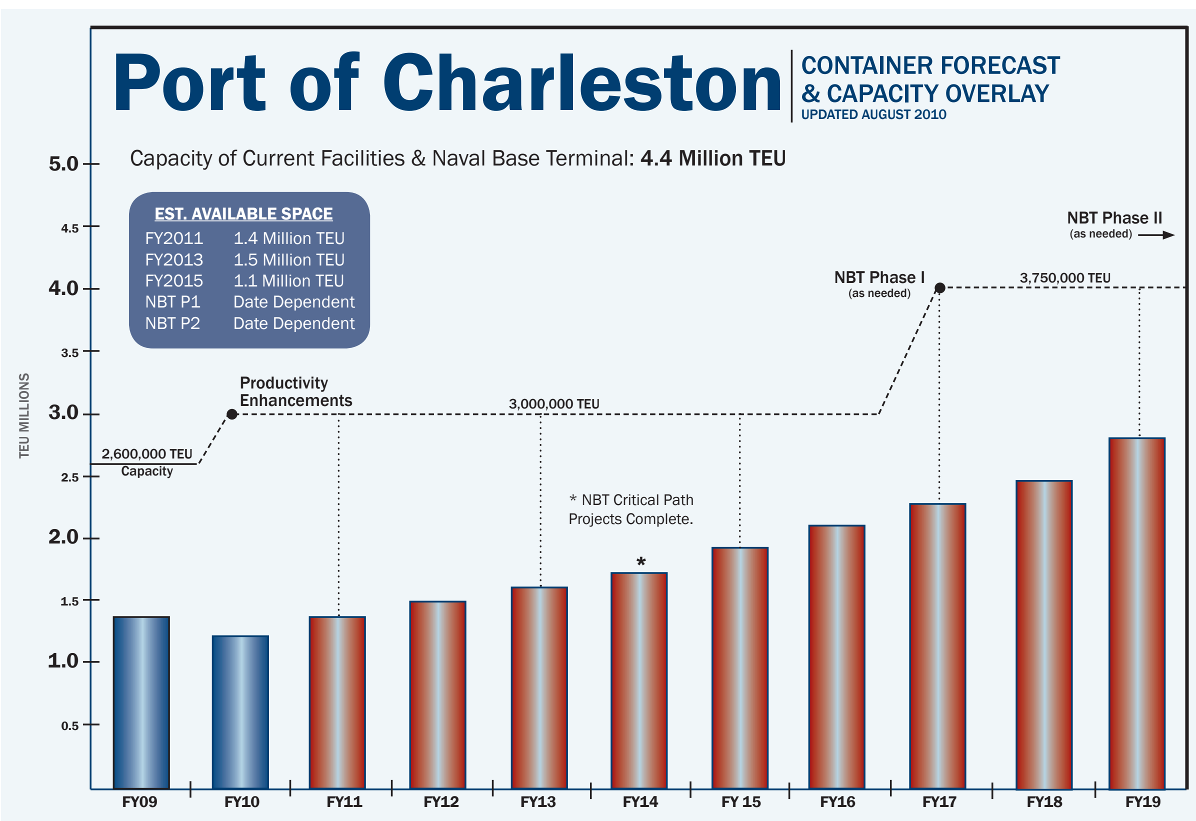
TBC, Michelin, BMW, Gildan and adidas collectively will move more than 80,000 containers per year.

CHARLESTON IS WELL-POSITIONED FOR THE CAPACITY DEMANDS OF CARRIERS FAR INTO THE FUTURE.

Ready to Grow With You

Ocean carriers and BCO clients will experience no capacity constraints at the Port of Charleston in the decade to come. Through a combination of business diversification, increased productivity, upgraded IT systems, and physical expansion, Charleston has ample capacity.

- Currently operating at less than 50% container capacity.
- Early in 2011 the port will implement a new terminal operating structure that will add approximately 15% more container capacity.
- All ocean carriers will be common-use operators, meaning the SCSPA will be serving as the terminal operator for all container facilities. This move will place all container carriers at the port on an even playing field.
- The Port of Charleston's Navy Base Terminal project is the only permitted new container terminal on the U.S. East Coast. The Phase 1 is under construction and will feature a 171 acre container yard, 2,400 feet of berth space, and an annual capacity of 745,000 TEU at build out.
- Non-container business is increasing in Charleston and special arrangements are being made within existing facilities.
- A new cruise terminal is also in the works. The new terminal is planned for the north end of the present day Union Pier Terminal. Non-container business currently handled at Union Pier will move to Columbus Street Terminal.



The Port of Charleston's capacity remains well ahead of demand, even if actual growth were to outpace projections. This gives carriers confidence in the port's long-term competitiveness and capabilities.

BENEFICIAL CARGO OWNERS MUST BE AWARE OF THE IMPACT HUGE SHIPS WILL HAVE ON THEIR USEC SUPPLY CHAINS.

Deepest Water

As the deepest port in the South Atlantic, Charleston offers a decided advantage to BCOs looking to maximize economy of scale. In Charleston, carriers do not have to sacrifice volume, revenue, and profits to shoehorn a big ship into the port. This is already becoming a factor for BCOs. Most importantly, Charleston has deep water now. The transistion to larger ships on the East Coast has already begun, with Charleston as a vital port. Carriers are not waiting on 2014. Ignoring this reality is a risky, high-stakes gamble for high-volume clients.

Key capabilities include:

- Windows for vessels drafting as deep as 48- feet.
- 24-Hour access for vessels drafting 43-feet.
- 24-Hour, two-way traffic in the channel.
- Deep and wide turning basins speed near dock operations.
- Terminals are just 1-2 hours from the open sea.

CY2010 year-to-date vessel statistics:

- 71 Post-Panamax vessel calls.
- 21 Calls from ships in excess of 8,000 TEU.
- Post-Panamax ships are now in Charleston 4x/week.

Key considerations for BCOs:

- 7 Carrier consortia have informed the Port of Charleston that they are planning to have at least 1 Asia/USEC service using +7,500 TEU ships by 2012. Two of them have officially enquired regarding Charleston's capability of handling 10,000 TEU ships by 2012.
- Charleston is able to offer these capabilities now. Competing ports are still experiencing significant delays in the studying of their deepening projects and are nowhere near construction starts, much less completion. Even in the most optimistic scenarios, competing ports are going to be well beyond the 2014 Panama Canal expansion in finishing their projects, only to equal the access Charleston has today.
- Charleston has initiated its own deepening process to take the shipping channel to 50 feet at mean low water. This project is less expensive and time-consuming than projects at competing ports that will not deliver that depth. Charleston is best-positioned in the region to be the big ship port for the long-term.
- Savvy BCOs will compete for distribution capabilities clustered around the ports that have deeper water. Not doing so will introduce unacceptable risk into the supply chain and costly inflexibility.

Inbound Draft Comparison

Charleston		Savannah
Hours/Day	Vessel Draft	Hours/Day
24	38	24
24	39	10
24	40	9
24	41	6
24	42	4
24	43	0
18	44	0
14	45	0
10	46	0
6	47	0
2	48	0

* Source for Savannah Numbers: Port of Savannah Industry Guidelines for Minimum Under-Keel Clearances, Feb. 2009. Available at www.SavannahMaritime.com. Outbound draft Differential between Charleston and Savannah is 5-feet.

Increased Revenue Potential

100 Loaded FEU = 1 Foot of Draft.

5-Foot Draft Differential Between CHS & SAV.

5-Feet x 100 FEU = 500 FEU/Vessel.

500 FEU x 52 Weeks = 26,000

26,000 FEU x $1,200/FEU = **$31,200,000**

Ignoring this reality is a risky, high-stakes gamble for high-volume BCOs.

TransLoad Solutions: Wando Welch On-Terminal Cross-Dock

Lower Landed Cost: Max out weight and cube of shipments; Deconsolidate without taking the marine container off-terminal.
Increase Flexibility: On-terminal warehouse outside of TWIC zone; Your labor, our labor, 3rd party labor...all your choice.
Increase Reliability: No DOT restrictions or roadability concerns with marine containers. Puts the turn time in your control.

Conclusion

In summary, the Port of Charleston has substantially changed course and is now on the leading edge of a competitive shift in the marketplace. The entire port team is fully committed to recapturing the competitiveness and prestige that has defined the Port of Charleston brand for decades. An integrated strategy is in place and being executed with zeal. The four keys of this strategy are:

- A client-focused, solutions-oriented culture.
- A growing freight base with tens-of-thousands of boxes of new business. This has been accomplished through a coordinate effort between SC Ports and the SC Department of Commerce.
- Ample capacity to handle carrier client growth over the short and long-term.
- The deepest water in the competitive port range.

The Port of Charleston team is eager to discuss with you today the opportunities these changes offer your firm.

There are two specific opportunities on the table now:

1) Incrementally increase existing volumes via Charleston.

2) Seriously consider locating a cross dock/DC in Charleston.

The Port of Charleston's on-dock warehouse represents an outstanding current opportunity as it is available and will soon be outside the TWIC zone. This is an unusual combination, to be able to use yard trucks for delivery to the cross dock without having a gate transaction or any transit over public highways, is highly-prized. Approximately 186,000 sf is available.

We aim to continue this dialog in an attempt to position ourselves to best serve your firm and therefore, grow our relationship for the long-term.

Fully committed to recapturing the competitiveness and prestige that has defined the Charleston brand for decades.